

## Message Text

CONFIDENTIAL

PAGE 01 ROME 10220 251102Z

47

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

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R 250930Z JUL 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 6111

C O N F I D E N T I A L ROME 10220

E.O. 11652: GDS

TAGS: PINT, IT

SUBJECT: POLITICAL-ECONOMIC ESTIMATES FROM GIANNI AGNELLI AND ALBERTO BEMPORAD

1. IN CONVERSATION ON JUL 23 WITH THE AMBASSADOR, GIANNI AGNELLI REMARKED THAT HE HIMSELF WOULD NOT BE LEAVING ITALY ON VACATION THIS SUMMER BECAUSE THE SITUATION IN ITALY IS TOO CRITICAL TO PERMIT HIM TO ABSENT HIMSELF FROM FIAT INTERESTS AND HIS NEW RESPONSIBILITIES AS HEAD OF CONFINDUSTRIA. ANENT HIS RECENT APPOINTMENT TO HEAD CONFINDUSTRIA, AGNELLI WENT ON TO SAY THAT HE HAD ACCEPTED THE JOB BECAUSE HE IS CONVINCED THAT HE CAN MAKE A USEFUL CONTRIBUTION.

2. WITH FURTHER REFERENCE TO THE CURRENT POLITICAL SITUATION, AGNELLI REMARKED THAT HE FELT CHRISTIAN DEMOCRAT (DC) PARTY SECRETARY FANFANI HAD WON A BATTLE AT THE DC NATIONAL COUNCIL MEETING WHICH ENDED JULY 21, BUT THAT FANFANI HAD NOT YET WON THE WAR. AGNELLI NOTED THAT FANFANI HAD BEEN UNABLE TO HOLD THE LEFT-WING BASE AND FORZE NUEVE ELEMENTS IN THE SOLID DC FRONT THAT FANFANI DESIRED, AND THAT WITH THE BASE AND FORZE NUEVE EFFECTIVELY IN OPPOSITION, PRESSURE ON FANFANI WOULD GROW IN RELATION TO ANY DETERIORATION OF THE GENERAL POLITICAL OR ECONOMIC SITUATION.

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PAGE 02 ROME 10220 251102Z

3. WITH REGARD TO RECENT DC PROBLEMS, THE AMBASSADOR NOTED THAT INTERNAL WEAKNESSES IN THE CHRISTIAN DEMOCRATIC PARTY COULD AFFECT DC RESOLVE IN AVOIDING THE COMMUNIST (PCI) PROPOSED "HISTORIC COMPROMISE". THE AMBASSADOR REITERATED REMARKS MADE BY THE SECRETARY DURING HIS RECENT VISIT TO THE EFFECT THAT THE ENTRANCE OF THE COMMUNISTS INTO THE GOVERNING AREA WOULD BE OF GRAVE CONCERN TO US AND WOULD FORCE US TO RE-EVALUATE OUR WHOLE RELATIONSHIP WITH ITALY. THE AMBASSADOR EXPRESSED THE HOPE THAT THE CHRISTIAN DEMOCRATS WOULD BE ABLE TO RE-INVIGORATE AND UNIFY THE DC BY BRINGING INTO POSITIONS OF POWER THOSE TALENTED YOUNGER PEOPLE IN THE PARTY WHO ARE SELDOM CALLED UPON TO ASSUME REAL RESPONSIBILITY.

4. AGNELLI STATED HIS BELIEF THAT IN PRESENT CIRCUMSTANCES NO REPEAT NO FORM OF HISTORIC COMPROMISE IS IN THE CARDS. HE AGREED THAT A RE-INVIGORATION OF THE DC WAS CALLED FOR BY RECENT SETBACKS TO THE PARTY, BUT MUSED THAT THERE ARE REALLY FEW YOUNG LEADERS WHO HAVE SHOWN THEIR ABILITY TO TAKE OVER FROM THE OLD GUARD, WITH THE EXCEPTION OF FORLANI WHO IS YOUNG, VIGOROUS, AND HAS ALREADY PROVED HIMSELF.

5. CONCERNING THE ECONOMIC STABILIZATION PACKAGE CURRENTLY BEFORE PARLIAMENT, AGNELLI SAID THAT HE FELT AN ACCEPTABLE VERSION OF THE PACKAGE WOULD BE PASSED DESPITE THE CHANGES AND OBSTRUCTIVE ACTIONS PROMISED BY THE FAR-LEFT AND THE FAR-RIGHT.

6. AGNELLI'S REMARKS WERE CLOSELY PARALLELED IN TWO RESPECTS BY ALBERTO BEMPORAD (PSDI UNDERSECRETARY IN THE MINISTRY OF EDUCATION) WHO TOLD US ON JULY 23 THAT HE WAS CONFIDENT A REASONABLY SATISFACTORY ECONOMIC STABILIZATION PACKAGE WOULD BE PASSED. BEMPORAD BELIEVES THAT THE COMMUNISTS WILL SETTLE FOR RELATIVELY MINOR ADMENDMENTS WITH A REASONABLY HIGH COSMETIC VALUE, WHICH WOULD PERMIT THE PCI TO CLAIM ITS HAND HAD BEEN FELT IN THE LEGISLATION OF THE STABILIZATION PROGRAM. BEMPORAD SEES GOOD PROSPECTS THAT THE PACKAGE WILL BE PASSED INTO LAW BY THE 10TH OR 12TH OF AUGUST, I.E., A FEW DAYS BEFORE THE IMPORTANT AUGUST 15 ITALIAN HOLIDAY (FERROGOSTO). BEMPORAD CONCEDED THAT THIS SCHEDULE MIGHT NOT BE MAINTAINED, AND SAID THAT IF NOT THE PARLIAMENT WOULD HAVE LITTLE CHOICE BUT TO TAKE A FOUR OR FIVE DAY RECESS AND RETURN TO COMPLETE THE LEGISLATIVE WORK BEFORE THE EXPIRATION OF THE ECONOMIC AND FISCAL DECREE LAWS IN THE EARLY DAYS OF SEPTEMBER.

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PAGE 03 ROME 10220 251102Z

7. WITH REGARD TO THE DC RELATIONS WITH THE COMMUNISTS, WHICH ARE OF CONSIDERABLE CONCERN TO BEMPORAD'S PARTY, HE SAID THAT THE DC COULD NOT AFFORD TO ACCEPT ANY FORM OF HISTORIC COMPROMISE. IN ADDITION TO FANFAN'S OPPOSITION, A SUBSTANTIAL PERCENTAGE OF THE DC POLITICIANS ARE WELL AWARE THAT THEIR ELECTORATE WOULD SIMPLY NOT ACCEPT AN ACCORD WITH THE COMMUNISTS. THEREFORE DESPITE THE WISHFUL THINKING OF A MINORITY OF THE DC PARTY WITH REGARD TO "DEMOCRATIC

EVOLUTION" IN THE PCI, THE DESTRUCTIVE POTENTIAL OF THE HISTORIC COMPROMISE EFFECTIVELY RULES IT OUT FOR THE FORESEEABLE FUTURE.

8. COMMENT: WE TEND TO AGREE THAT IN CURRENT CIRCUMSTANCES "HISTORIC COMPROMISE" IS NOT IN THE CARDS IF BY HISTORIC COMPROMISE WE MEAN COMMUNIST PARTICIPATION IN THE GOVERNMENT, OR FORMAL ACCEPTANCE OF THE COMMUNIST AS PART OF THE PARLIAMENTARY MAJORITY. WE ARE ALSO AWARE, HOWEVER, THAT LIKE TOPSY, HISTORIC COMPROMISE COULD JUST GROW. THE DEMOCRATIC PARTIES IN ITALY HAVE LONG COOPERATED MARGINALLY WITH THE COMMUNISTS IN PARLIAMENT, PARTICULARLY IN THE COMMITTEES, AND THE CURRENT LIMITED GOAL OF THE PCI SEEMS TO INCLUDE A REGULAR AND MEANINGFUL FORM OF CONSULTATIONS BETWEEN THE COMMUNISTS AND THE COALITION PARTIES, WHETHER OR NOT SUCH CONSULTATIONS MIGHT BE FORMALLY STRUCTURED. IN THIS PERHAPS LIMITED GOAL IT IS CLEAR THAT THE COMMUNISTS HAVE THE FULL SUPPORT OF THE SOCIALIST PARTY, AND THE APPARENT SUPPORT OF MANY WITHIN THE LEFT-WING MINORITY OF THE CHRISTIAN DEMOCRATIC PARTY ITSELF. WE SHOULD EMPHASIZE, HOWEVER, THAT THE DEMOCRATIC ITALIAN PARTIES HAVE CONSIDERABLE PRACTICAL EXPERIENCE AT PRAGMATIC AND TACTICAL AD HOC DEALINGS WITH THE PCI IN PARLIAMENT (AND IN PRESIDENTIAL ELECTIONS) WITHOUT LOSING SIGHT OF THE DIFFERENCE BETWEEN THE DEMOCRATIC PARTIES AND THE PCI IN TERMS OF SUITABILITY FOR PARTICIPATION DIRECTLY OR INDIRECTLY IN GOVERNMENT. VOLPE

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